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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, MAY 1, 1998

APPLICATION OF

HIGH KNOB ASSOCIATES, L.C.

HIGH KNOB OWNERS' ASSOCIATION, INC.

CASE NO. PUE960359

and

HIGH KNOB UTILITIES, INC.

For approval of the transfer
of a certificate of public
convenience and necessity

FINAL ORDER

On December 11, 1996, High Knob Associates, L.C. ("HK"), High Knob Homeowners' Association (the "Association") and High Knob Utilities, Inc. ("HK Utilities" or "Company"), (collectively, the "Applicants") filed an application pursuant to § 56-265.3 D of the Code of Virginia. The Applicants request authority to transfer the certificate of public convenience and necessity authorizing HK to provide water service to residents of the High Knob subdivision in Warren County, Virginia, to HK Utilities. By order dated May 9, 1997, the Commission appointed a Hearing Examiner to conduct all further proceedings, established a procedural schedule, and set the matter for hearing on October 1, 1997.

Pursuant to the June 5, 1997 Hearing Examiner's Ruling, the Applicants were granted authority to amend their application to reflect a proposed increase in the connection fee from \$500 to \$700 and to give revised notice of the amended application.

A hearing was held on October 1, 1997, before Hearing Examiner, Howard P. Anderson, Jr. Counsel appearing were Kenworth E. Lion, Jr., for the Applicants and Marta B. Curtis for the Commission Staff. Protestants Joe and Hilda Mitchell appeared pro se. Donald and Brenda Nemec and Harold and Marie Lewis filed Notice of Protest but later advised the court that they did not wish to participate in the proceeding.

Three witnesses appeared at the hearing. One witness expressed concern regarding the administrative practices of the utility and the difficulty in obtaining information regarding the water system. Another witness expressed concern regarding encumbrances on the water system. The third witness requested a continuance in the proceeding pending a decision from a circuit court judge concerning encumbrances on the assets of the Company. That motion was denied.

At the commencement of the hearing, the Company presented proof of notice.

The only issue at the hearing was the Company's proposed connection fee¹. Staff objected to any increase in that fee.

¹ Protestants Joe and Hilda Mitchell expressed concern that deeds transferring the water system were subject to encumbrances. In his April 10, 1998 Report, the Examiner noted that there was no evidence in the record of such

Staff recommended that, if the actual cost of the connection fee was less than the tarriffed rate, the excess cash received be placed in an escrow account and used for future improvements.

On April 10, 1998, the Examiner filed his Report. The Examiner found that:

1. The certificate of public convenience and necessity to provide water service to the High Knob Subdivision should be transferred to HK Utilities;

2. The Company's request for an increase in its connection fee should be denied;

3. The Company should maintain a separate set of books for the utility in accordance with the Uniform System of Accounts for Class "C" Water Utilities;

4. The Company should depreciate plant and amortize contributions at a three percent composite rate;

5. Use of an escrow account for excess connection fees is not necessary at this time; and

6. The Company should maintain sufficient property records and documentation to support all plant additions, including labor costs.

The Examiner recommended that the Commission enter an order that adopts the findings in his report; grants the request for transfer of the certificate of public convenience and necessity

encumbrances and that, if such encumbrances were established, the impact of those encumbrances on rates was beyond the scope of this proceeding.

to serve the High Knob Subdivision in Warren County, Virginia; and dismisses this case for the Commission's docket of active cases.

No comments were filed to the Hearing Examiner's Report.

NOW THE COMMISSION, having considered the Examiner's Report and the record, is of the opinion that the Examiner's findings and recommendations are reasonable and should be adopted. We agree that it is reasonable to grant the Applicants' request for transfer of the certificate. We will, however, accomplish such transfer by cancelling the certificate of HK and issuing a new certificate to HK Utilities. Accordingly,

IT IS ORDERED THAT:

(1) The findings and recommendations of the Hearing Examiner be, and hereby are, adopted.

(2) Certificate No. W-279 issued to High Knob Associates, L.C. be, and hereby is, cancelled.

(3) High Knob Utilities, Inc., shall be granted Certificate No. W-289 to provide water service to the High Knob Subdivision in Warren County, Virginia.

(4) That High Knob shall implement the booking and record keeping recommendations found proper in the Examiner's Report.

(5) This is hereby dismissed from the Commission's docket of active cases and the papers placed in the file for ended causes.